ANNUAL REPORT 2008

SOUTHERN ELECTRIC POWER COMPANY LIMITED

Contents

COMPANY INFORMATION

Board of Directors	Mrs. Sughra Mahmood Mr. Klaus Triendl Mr. Taj ud Deen Kurji Mr. Anthony Rustin Mr. Stephane Mailhot Mr. Rashid Mirza Mrs. Sheereen Awan Mr. S. M. Ghalib Mr. Felix Turgeon
Chief Executive	Mr. Ali Mahmood
Chief Operating Officer	Mr. Amjad Awan
Chief Financial Officer	Mr. Shamsul Aziz
Company Secretary	Mr. Salman Rahim
Audit Committee	Mr. Taj ud Deen Kurji *Chairman* Mrs. Sughra Mahmood Mrs. Sheereen Awan
Auditors	KPMG Taseer Hadi & Co Chartered Accountants
Leading Bankers	Askari Commercial Bank Limited Faysal Bank Limited National Bank of Pakistan ABN AMRO Bank (Pakistan) Limited (formerly Prime Commercial Bank Limited) United Bank Limited
Registered Office	No. 38, First Street, F-6/3, Islamabad - 44000, Pakistan. Tel: (92-51) 227 9230-1, 843 8550 Fax: (92 51) 282 5465 Website: www.sepcol.com
Shares Department	No. 38, First Street, F-6/3, Islamabad - 44000, Pakistan. Tel: (92-51) 227 9230-1, 843 8550 Fax: (92 51) 282 5465 Website: www.sepcol.com
Plant	Raiwind, District Lahore

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 14th Annual General Meeting of the Shareholders of Southern Electric Power Company Limited ("the Company") will be held on October 31, 2008 at 11:00 a.m. at the Registered Office of the Company at No. 38, First Street, F-6/3, Islamabad-44000, Pakistan to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2007.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the financial year ended June 30, 2008 together with the Report of Directors and Auditors thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
4. To transact any other business with the permission of the Chair

BY ORDER OF THE BOARD

Salman Rahim
Company Secretary

Place: Islamabad
Dated: October the 9th 2008

NOTES

1. The Share Transfer Books of the Company shall remain closed from October 24, 2008 to October 31, 2008 (both days inclusive). Transfers received at the Company's Registered Office upto the close of business on October 23, 2008 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. Members entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.
3. Duly completed Forms of Proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.
4. Members are requested to immediately notify the Company any change in their addresses.
5. CDC account holders will, in addition to above, have to follow the under-mentioned guidelines.

A- For Attending the Meeting

a. In case of individuals, the account holder or sub-account holder and/ or the persons whose securities and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

b. In case of corporate entity, the Board of Directors' Resolution/ Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B- For Appointing Proxies

a. In case of individuals, the account holder or subaccount holder and/ or the persons whose securities and their registration details are uploaded as per the Regulations, shall submit the Proxy Form as per the above requirement.

b. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

c. The proxy shall produce his original CNIC or original passport at the time of the meeting.

d. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

DIRECTORS' REPORT

Your Directors are pleased to present before you the 14th Annual Report of the Company, and the audited Annual Accounts for the year ended June 30, 2008.

Financial Results

Your Company's annual turnover for the year under review was Rs 3.98 billion as compared to Rs 4.41 billion last year, and operating costs were Rs 3.35 billion as compared to Rs 3.74 billion last year. Both turnover and operating costs registered a decrease in the current year due to lower load factor which remained only 32% of the installed plant capacity during the period as compared to 53% last year.

Your Company incurred a net loss of Rs. 297.7 million during the year as compared to a net loss of Rs. 295.1 million during last year. As explained in the last Directors' Report of the Company, WAPDA / PEPCO were in serious default to the Company early in the year by delaying Capacity Payments and by their failure to renew the obligatory Standby Letter of Credit in the Company's favor as required under the Power Purchase Agreement (PPA). This situation continued and WAPDA owed the Company over Rs. 401 million in capacity payments as of June 30, 2008. The Stand-by Letter of Credit remains unposted to date.

As also mentioned in the last Report, WAPDA arbitrarily discontinued the 2 year old established practice of making advance payments for the purchase of fuel, because of which the Company was forced to stop operations of the complex as of February 15, 2008. Consequently, the Company initiated arbitration proceedings laying claim on WAPDA for over Rs. 5 billion and filed a suit for Declaration and Injunction before the Hon'ble Islamabad High Court, obtaining an *ad interim* injunction preventing WAPDA from deducting Liquidated Damages, which order remains in force to date.

Notwithstanding the above, the Company has entered into a dialogue with the government for a resolution of disputes including restoration of the fuel advance payments, withdrawal of LDs and readjustment of the fuel tariff. Once a settlement is reached with WAPDA / PEPCO, the Company intends to move ahead with its earlier plan of injecting additional equity and debt for retrofitting a steam turbine to lead the project towards an increased level of profitability and meet all its operational and financial obligations in time.

It is also worth mentioning that despite the discontinuation of the fuel advance and the subsequent closure of the plant since February 2008, the Company is maintaining the Complex in a state of constant readiness for despatch and runs it periodically to avoid default under the PPA. WAPDA has been making Capacity payments, although in much smaller amounts, as is the case with all other IPPs because of WAPDA's own financial difficulties.

Liquidated Damages

The loss during the year is primarily attributable to the Liquidated Damages incurred by the Company prior to February 15th 2008, mainly due to the lack of fuel. Although the Company has disputed these LDs on valid grounds and has also obtained a legal opinion confirming the validity of its dispute, the Company has, as a matter of prudence, provided for the LDs prior to February 15, 2008.

Loan Default

The Company is current on all its liabilities including banks, employees and other parties, with the exception of the World Bank loan instalment of about Rs 350 million which was due to National Bank of Pakistan on April 25, 2008. This instalment remains overdue as of date due to WAPDA's default in making the Capacity Payments to the Company on time. The Company has, however, discussed this circular default matter with NBP and has committed that as soon as the outstanding payments are received from WAPDA, the instalment of April 25, 2008 shall be repaid to the bank along with the delayed interest, if any.

The loss per share worked out at Rs. 2.18 this year as compared to loss per share of Rs. 2.16 last year.

Management

Subsequent to the balance sheet date, Mr. Ali Mahmood resigned from the position of Chief Executive Officer of the Company and Mr. Amjad Awan was appointed by the Board in his place. Mr. Awan has been associated with the Company for over 12 years and has experience of managing its day-to-day functions in his capacity as Chief Operating Officer. The Board is confident that with his dedication and expertise in the Private Power sector followed by the expected reconciliation with WAPDA, a turnaround of the Company shall be forthcoming in due course.

Financial Statements and Internal Control

The Directors are pleased to state that:

(a) the financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity;

(b) proper books of account have been maintained;

(c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

(d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed;

(e) the system of internal control is sound in design and has been effectively implemented and monitored;

(f) the Company's ability to continue as a going concern is explained in Note 1.2 to the Accounts "Material Uncertainty";

(g) there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

(h) key operating data for the last seven years is available in this report.

Appropriations

The Directors are not in a position to recommend a dividend this year.

Auditors

The present auditors Messer KPMG Taseer Hadi & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Changes in the Board of Directors

During the year, the following changes took place in the Board of Directors:

1. Mr. Nessar Ahmed, representing special interests, resigned from the Board on October 31, 2007.
2. Mr. S. M. Ghalib was elected as a Director at the AGM on October 31, 2007.
3. Mr. Stanley Alan Ridley resigned from the Board on April 18, 2008 and Mr. Felix Turgeon was appointed in his place.

Board of Directors Meetings Held During the Year

Four Board of Directors meetings were held during the year from July 1, 2007 to June 30, 2008. Following is the attendance of each Director in Board Meetings.

Name	Meetings Attended
Mrs. Sughra Mahmood	4
Mr. Klaus Triendl	4
Mr. Stanley Alan Ridley	4
Mr. Anthony Rustin	4
Mr. Stephane Mailhot	4
Mr. Taj ud Deen Kurji	4
Mr. Rashid Mirza	4
Mrs. Sheereen Awan	4
Mr. Nessar Ahmed	1
Mr. S. M. Ghalib	2

Pattern of Shareholding

A statement showing the pattern of shareholding as of June 30, 2008 is attached.

The Directors wish to thank the staff for their dedication and the shareholders and lenders for their continued support.

For and on behalf of the Board

Amjad Awan
Chief Executive

Islamabad
September 30, 2008

KEY OPERATING AND FINANCIAL DATA

Year Ended on June 30,	2008	2007	2006	2005	2004	2003	2002
Dispatch Level (%age)	32%	53%	49%	41%	34%	42%	32%
Dispatch (Mwh)	368,660	540,242	503,028	398,365	336,767	409,308	310,574
Total Revenue (Rs. '000)	3,627,586	4,000,450	3,863,767	2,591,542	2,261,335	2,555,006	2,194,513
(Loss)/profit for the Year (Rs. '000)	(297,762)	(295,124)	37,519	62,542	234,282	304,419	342,154
Shareholders' Equity (Rs. '000)	1,881,632	2,179,393	2,474,518	2,436,999	2,374,456	2,140,174	1,711,504
Book Value Per Share (Rupees)	13.77	15.95	18.11	17.83	19.11	17.22	18.37
(Loss)/earnings per share - basic (Rupees)	(2.18)	(2.16)	0.27	0.46	1.71	2.89	3.40
Rate of Dividend (%age)	-	-	-	-	10%	15%	15%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the requirement of the Code of Corporate Governance as per the listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance.

The Company has applied the principles contained in the Code of Corporate Governance (the Code) in the following manner:

1. The Board of the Company (excluding the Chief Executive) comprises of nine directors. At present there are seven non-executive directors, one executive director and one independent non-executive director representing the lenders.

2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurred in the Board during the financial year and were filled up.

5. The Company has prepared a "Statement of Ethics and Business Practices” which has been signed by the directors and senior employees of the Company.

6. The Board has developed a vision statement and overall corporate strategy for the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, determination of remuneration, terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The Meetings of the Board were presided over by the Chairperson and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged an orientation course on Code of Corporate Governance for the resident directors of the Company during the year to apprise them of their duties and responsibilities.

10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for the year ended June 30, 2008 has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee comprising of three members, majority of them are the non-executive directors of the Company.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been formed and advised to the Audit Committee for compliance.

17. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full-time basis.

18. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan. The auditors have further confirmed that neither they nor any of the partners of the firm, their spouses and minor children hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

Islamabad
September 30, 2008

Amjad Awan
Chief Executive

AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Southern Electric Power Company Limited ("the Company") to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2008.

Islamabad
September 30, 2008

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

KPMG

KPMG TASEER HADI & CO.
Chartered Accountants

We have audited the annexed balance sheet of Southern Electric Power Company Limited ("the Company") as at 30 June 2008 and the related profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2008 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which states that the Company's operation is dependant on restoration of fuel advance facility by WAPDA or arranging additional working capital finance. This condition, along with the other matters as set forth in note 6.4 and 12.1.2 cast significant doubt about the Company's ability to continue as a going concern. Should the Company fail to get the restoration of fuel advance facility from WAPDA or arrange finance from any other sources, the Company may not be able to continue its operation in the foreseeable future.

However, the company has prepared these financial statements on the assumption that the Company would be a going concern as explained in note 1.2 to the financial statements.

Islamabad
September 30, 2008

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT JUNE 30, 2008

	Note	2008 Rupees '000	2007 Rupees '000
SHARE CAPITAL AND RESERVES			
Share capital	5	1,366,758	1,366,758
Un-appropriated profit		514,874	812,636
		1,881,632	2,179,394
NON-CURRENT LIABILITIES			
Long term financing - secured	6	2,506,926	2,006,083
Deferred liabilities	7	24,750	18,774
Liabilities against assets subject to finance lease	8	391,476	459,803
		2,923,152	2,484,660
CURRENT LIABILITIES			
Trade and other payables	9	743,325	752,422
Accrued markup	10	392,596	367,198
Short term borrowings - secured	11	1,249,446	1,241,955
Current portion of long - term financing	6	701,286	709,253
Current portion of liabilities against assets subject to finance lease	8	72,725	62,593
		3,159,378	3,133,421
		7,964,162	7,797,475
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 01 to 32 form an integral part of these financial statements.

	Note	2008 Rupees '000	2007 Rupees '000
NON-CURRENT ASSETS			
Property, plant and equipment	13	7,039,634	6,887,497
CURRENT ASSETS			
Stores, spare parts and loose tools	14	169,880	149,336
Stock in trade	15	34,747	75,364
Trade debts - considered good	16	404,783	90,428
Advances - considered good	17	96,322	317,757
Trade deposits, short - term prepayments and balance with statutory authority	18	168,779	169,395
Taxes paid in advance		8,858	8,391
Cash and bank balances	19	41,159	99,307
		924,528	909,978
		7,964,162	7,797,475

Islamadad
September 30, 2008

Chief Executive

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees '000	2007 Rupees '000
Gross revenue	20	3,989,257	4,415,591
Less: Sales tax		(361,671)	(415,141)
Net revenue		3,627,586	4,000,450
Cost of sales	21	(3,350,379)	(3,748,084)
Gross profit		277,207	252,366
Administration and general expenses	22	(102,863)	(87,170)
Other operating income	23	100,792	5,227
Finance cost	24	(572,898)	(465,547)
Loss for the year		(297,762)	(295,124)
Loss per share - basic and diluted (Rupees)	31	(2.18)	(2.16)

The annexed notes 01 to 32 form an integral part of these financial statements.

Islamabad
September 30, 2008

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees '000	2007 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(297,762)	(295,124)
Adjustments for:			
Depreciation		283,461	249,643
Provision for gratuity		7,983	5,593
Gain on disposal of property, plant and equipment		(625)	(1)
Amortization of deferred income on sale and lease back transaction		(67)	(67)
Exchange loss		16,177	3,945
Advances written - off		3,011	-
Finance cost		572,898	465,547
		585,076	429,537
Working capital changes			
(Increase)/decrease in stores, spare parts and loose tools		(20,544)	3,581
Decrease/(increase) in stock in trade		40,617	(20,051)
(Increase)/decrease in trade debts		(314,355)	22,995
Decrease/(increase) in advances		218,424	(86,186)
Increase in trade deposits, short-term prepayments and balance with statutory authority		616	(21,263)
(Decrease)/increase in trade and other payables		(9,062)	428,346
		(84,304)	327,422
Cash generated from operations		500,772	756,959
Gratuity paid		(1,940)	(5,516)
Taxes paid		(467)	(379)
Net cash generated from operating activities		498,365	751,065
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(20,666)	(81,212)
Proceeds from disposal of property, plant and equipment		625	1
Net cash used in investing activities		(20,041)	(81,211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long - term financing		(135,682)	(195,291)
Finance cost paid		(350,052)	(348,805)
Lease rentals paid		(58,195)	(30,232)
Dividends paid		(35)	(2)
Net cash used in financing activities		(543,964)	(574,332)
Net decrease in cash and cash equivalents		(65,640)	95,520
Cash and cash equivalents at beginning of the year		(1,142,648)	(1,238,168)
Cash and cash equivalents at end of the year	29	(1,208,288)	(1,142,648)

The annexed notes 01 to 32 form an integral part of these financial statements.

Islamabad
September 30, 2008

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital Rupees '000	Un-appropriated Profit Rupees '000	Total Rupees '000
Balance as at 30 June 2006	1,366,758	1,107,760	2,474,518
(Loss) for the year	-	(295,124)	(295,124)
Total recognised income and expense	-	(295,124)	(295,124)
Balance as at 30 June 2007	1,366,758	812,636	2,179,394
(Loss) for the year	-	(297,762)	(297,762)
Total recognised income and expense	-	(297,762)	(297,762)
Balance as at 30 June 2008	1,366,758	514,874	1,881,632

The annexed notes 01 to 32 form an integral part of these financial statements.

Islamabad
September 30, 2008

Chief Executive

Director

1. STATUS AND NATURE OF OPERATIONS

1.1 Southern Electric Power Company Limited ("the Company") was incorporated in Pakistan on December 20, 1994 as a public limited Company under the Companies Ordinance, 1984. The Company is listed on all three Stock Exchanges in Pakistan. The Company had originally established a 117 Megawatt power generation station near Raiwind, Lahore for supply of electricity, which has been increased to 135.9 MW with the installation of a sixth engine during the year. The Company's registered office upto the year-end was located at 6th Floor, Razia Sharif Plaza, 90 West, Blue Area, Islamabad, Pakistan, which was subsequently shifted to No. 38, First Street, F-6/3, Islamabad, Pakistan.

1.2 Material uncertainty

The Company's operation is dependant on restoration of the fuel advance facility by WAPDA or arranging additional working capital finance. The sudden discontinuance of the fuel advance facility by Water And Power Development Authority ("WAPDA") in February 2008 resulted in virtual stoppage of the Company's plant on which WAPDA continues to levy Liquidated Damages (LDs) in accordance with the Power Purchase Agreement (PPA) as more fully explained in note 12.1.2 to these financial statements.

Pursuant to WAPDA's aforesaid unilateral action, the Company filed a suit in the International Court of Arbitration (ICA) against WAPDA claiming damages to the tune of Rs. 5 billion. The Company also filed a case against WAPDA in the Islamabad High Court seeking interim relief against any unlawful deduction of LDs from the capacity payments. A stay order was obtained and WAPDA was directed by the High Court to refrain from deduction of any amounts from the capacity payments due to the Company.

On 14 May 2008, the Company and WAPDA held a meeting in which WAPDA agreed in principle to consider certain concessions to the Company, including restoration of the fuel advance facility, provided that the Company stopped taking further legal action against WAPDA. Pursuant to this understanding, the Company put the legal case with ICA and High Court in abeyance and tried to pursue the matter amicably out of court. To-date, however, WAPDA has not released any fuel advance to the Company.

In view of the adverse operating environment and sluggish disbursement of capacity payments by WAPDA, the Company was unable to meet its loan repayment obligation to the National Bank of Pakistan as more fully explained in note 6.3 and 6.4 to these financial statements.

Due to the fact that the Country is facing acute energy shortage, which is expected to increase further and the fact that during the year, the Company installed a sixth engine and enhanced its capacity from 117 MW to 135.9 MW, the Company remains hopeful of securing the fuel advance facility from WAPDA in the foreseeable future and therefore, these financial statements have been prepared on the assumption that the Company would be a going concern entity at least for the next twelve months.

Should the Company fail to get the restoration of fuel advance facility from WAPDA or arrange finance from any other sources, the Company may not be able to continue its operation in the foreseeable future.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1.1 Major differences between IFRS adopted in Pakistan and the basis of preparation of these financial statements are as follows:

(i) Exchange differences related to foreign currency loans obtained for financing of the plant have been capitalized by the Company as allowed by Securities and Exchange Commission of Pakistan (SECP) through its circular number 11 dated 13 June 2008.

(ii) IFRIC 4 "determining whether an arrangement contains a lease" has not been adopted by the Company as its application has been deferred by Securities and Exchange Commission of Pakistan (SECP) for Independent Power Producers (IPPs) upto 30 June 2009.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except that obligation under employees' benefit referred to in note 7.1 has been recognized at present value on the basis of actuarial valuation.

2.3 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IAS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.3.1 Employee retirement plans

Defined benefit plans of gratuity and compensated absences are provided for all eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.3.2 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

2.3.3 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in the estimates in future years might affect the carrying amounts of the respective assets with a corresponding effect on the depreciation charge and impairment.

2.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Company's functional currency.

2.5 Initial Application of a standard or an Interpretation

Amendment to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures given in note 28 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Taxation

The Company's income is exempt from tax under clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Company is also exempt from minimum tax on turnover under clause (15) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.2 Staff retirement benefits

3.2.1 Defined benefit plan

The Company is operating an unfunded gratuity scheme for its employees according to the terms of employment subject to a minimum qualifying period of service. The liability is provided on the basis of actuarial valuation using Projected Unit Credit Method. The Company has a policy of carrying out actuarial valuations after every two years. Latest valuations were conducted as of 30 June 2007. The details of actuarial valuation are given in note 7.1 to the financial statements.

The amount recognized in the balance sheet represents the present value of defined benefits as is adjusted for unrecognized actuarial gains and losses. Unrecognized actuarial gains and losses, exceeding corridor limits defined in International Accounting Standard - 19 "Employee benefits" are amortized over the expected average remaining working lives of the employees participating in the plan.

3.2.2 Compensated absences

The Company also provides for compensated absences according to the Company's policy. Related expected cost and liability has been included in the financial statements.

3.3 Property, plant and equipment

3.3.1 Owned

Property, plant and equipment, owned by the Company are stated at cost less accumulated depreciation and impairment loss, if any, except freehold land and capital work in progress (CWIP), which are stated at cost less impairment loss, if any. Cost also includes exchange gains and losses on loans obtained for acquisition of property, plant and equipment.

Depreciation is charged on straight line method at rates given in note 13, after taking into account their respective residual values if any, so as to write-off the cost of assets over their estimated useful lives. Exchange differences on the loans utilized for acquisition of plant, building and machinery are being depreciated over the remaining useful life of the plant. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposals of assets are taken to the profit and loss account.

3.3.2 Leased

Assets subject to finance lease are stated at lower of their fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses, if any. Related obligations under the agreement are accounted for as liabilities and financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of owned assets.

3.4 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Furnace oil	First in first out basis
High speed diesel	Moving average cost
Lubricants	Moving average cost

Cost of inventory comprises of the purchase price and other direct costs incurred in bringing the inventory items to their present location and condition. Replacement cost is used as a measure of net realizable value.

3.5 Stores, spare parts and loose tools

These are valued at lower of moving average cost and net realizable value.

Cost comprises of the purchase price and other direct costs incurred in bringing the stores, spares and loose tools to their present location and condition. Replacement cost is used as a measure of net realizable value.

3.6 Trade debts and other receivables

These are originated by the Company and are stated at cost less provision for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Short term borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.8 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between originally recognized amount and redemption value being recognized in profit and loss account over the period of borrowing on an effective interest rate basis.

3.9 Trade and other payables

Trade and other payables are stated at amortized cost.

3.10 Provisions

Provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

3.11 Dividend recognition

Dividend is recognized as a liability in the period in which it is declared.

3.12 Borrowing costs

Borrowing costs on loans are capitalized up to the date of commissioning of the related qualifying asset. Subsequent borrowing costs are charged to profit and loss account. All other borrowing costs are charged to profit and loss account.

3.13 Foreign currencies

PKR is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date. Exchange differences are accounted for as follows:

(i) Exchange differences related to foreign currency loans obtained for financing of the plant are capitalized and depreciated over the remaining useful life of the related assets.

(ii) All other exchange differences are dealt with through the profit and loss account.

3.14 Revenue recognition

Revenue on account of energy is recognized on dispatch of electricity, whereas revenue on account of capacity is recognized when due. Income on bank deposits is accounted for on a time proportion basis using the applicable rate of interest.

3.15 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated in order to determine the extent of impairment loss, if any. Impairment losses, if any, are recognized in the profit and loss account.

3.16 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to contractual provisions of the instrument. These are initially measured at fair value. Subsequent to initial recognition, these financial assets and liabilities are measured at fair value or amortized cost as the case may be. The Company de-recognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instrument.

3.17 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4. New accounting standards and IFRIC interpretations that are not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2008:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Revised IAS 23 - Borrowing costs (effective from 01 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on Company's financial statements.
- IAS 29 – Financial Reporting in Hyper inflationary Economies (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not likely to have an effect on the Company's financial statements.
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the company's financial statements, with retrospective application required, are not expected to have any impact on the financial statements.

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on Company's financial statements.
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value and transaction costs other than share and debt issue costs to be expensed. The application of this standard is not likely to have an effect on Company's financial statements.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group looses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.
- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not likely to have an effect on the Company's financial statements.
- IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008) IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFIRC 12 is not relevant to the Company's operations.
- IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008). IFRIC 13 addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.
- IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. IFRIC 14 is not expected to have any material impact on the Company's financial statements.
- IFRIC 15- Agreement for the Construction of Real Estate. (effective for annual periods beginning on or after 1 October 2009). The amendment clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company.
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008). IFRIC clarifies what risk in foreign operation can be hedged and which entity in the group can hold hedge instrument. The amendment is not relevant to the Company

5 SHARE CAPITAL

5.1 Authorized share capital

This represents 150 million (2007: 150 million) ordinary shares of Rs. 10 each.

5.2 Issued, subscribed and paid up capital

2008	2007		2008	2007
Number of shares			(Rupees '000)	(Rupees '000)
124,250,684	124,250,684	Ordinary shares of Rs. 10 each issued for cash	1,242,507	1,242,507
12,425,068	12,425,068	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	124,251	124,251
136,675,752	136,675,752		1,366,758	1,366,758

5.3 BCHIL Southern Company Limited holds 40.178 million ordinary shares (2007: 42.554 million ordinary shares) of Rs. 10 each at the balance sheet date.

6 LONG TERM FINANCING - SECURED

Lender and facility	Note	Sanctioned amounts	Outstanding amounts			
			2008	2007	2008	2007
From banking companies		USD '000	USD '000		Rupees '000	
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF Debt)-1st Facility	6.1	35,000	22,751	28,001	1,555,715	1,694,636
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF Debt)-2nd Facility	6.2	7,456	4,846	5,965	331,395	360,988
National Bank of Pakistan/ World Bank / Private Sector Energy Development Fund (PSEDF Debt)-3rd Facility	6.3	10,614	10,614	-	725,791	-
ANZ Bank, Paris, France (French Buyer's Credit)-1st Facility	6.5	21,948	-	2,195	-	132,829
ANZ Bank, Paris, France - 2nd Facility	6.6	8,706	8,706	8,706	595,311	526,883
			46,917	44,867	3,208,212	2,715,336
LESS : INSTALLMENTS DUE OVER THE NEXT TWELVE MONTH			(10,256)	(11,719)	(701,286)	(709,253)
			36,661	33,148	2,506,926	2,006,083

6.1 PSEDF Debt - 1st Facility
(Also refer 6.4)

Lender: National Bank of Pakistan

Amount : USD 35,000,000

Repayable currency: Pak Rupee to be calculated based on rate of USD exchange prevailing on the date of repayment of the loan.

Repayment terms: Repayable in 20 equal semi-annual installments starting from 25 October 2004.

Rate of interest: As per PSEDF guidelines :
From Project Completion date to earlier of 25 April 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE Facility repayment schedule, have been paid: Greater of one year US Treasury + 3% or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.

Security: a) Same charge on securities as a senior loan but on a subordinated basis to senior loans.
b) Pledge over 75 percent of the sponsors' shares for the term of the loan.

6.2 PSEDF Debt - 2nd Facility
(Also refer 6.4)

Lender: National Bank of Pakistan

Amount : USD 7,455,960

Repayable currency: Pak Rupee to be calculated based on rate of USD exchange prevailing on the date of repayment of the loan.

Repayment terms: Repayable in 20 equal semi-annual installments starting from 25 October 2004.

Rate of interest: From Project Completion date to earlier of 25 April 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE Facility repayment schedule, have been paid: Greater of one year US Treasury + 3% or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US

	Treasury + 4% or World Bank lending rate + 3.5%.
Security	a) Same charge on securities as a senior loan but on a subordinated basis to senior loans. b) Pledge over 75 percent of the sponsors' shares for the term of the loan.

6.3 PSEDF Debt - 3rd Facility

	(Also refer 6.4)
Lender	National Bank of Pakistan
Amount :	USD 10,614,000
Repayable currency	Pak Rupee to be calculated based on rate of USD exchange prevailing on the date of repayment of the loan.
Repayment terms	Repayable in 13 equal semi-annual installments starting from 25 April 2008.
Rate of interest	From Project Completion date to earlier of 25 April 2007 and the date on which all amounts due in respect of the balance original amounts as per the original COFACE Facility repayment schedule, have been paid: Greater of one year US Treasury + 3.0 % or World Bank lending rate + 2.5% thereafter and until final termination date: Greater of one year US Treasury + 4% or World Bank lending rate + 3.5%.
Security	a) Same charge on securities as a senior loan but on a subordinated basis to senior loans. b) Pledge over 75 percent of the sponsors' shares for the term of the loan.

6.4 During the year, National Bank of Pakistan (NBP) restructured three intallments (25 October 2006, 25 April 2007 and 25 October 2007) of the PSEDF facilities 1 and 2 into PSEDF 3rd facility. 1st installment of the restructured loan was payable on 25 April 2008. However, as mentioned in note 1.2, the Company defaulted in repayment of 1st installment of the restructured loan that was due on 25 April 2008. The Company has written to NBP regarding its intention to pay the 25 April 2008 installment in parts up to October 2008. After repayment of the 1st installment, the Company intends to apply to NBP for a further rescheduling of the PSEDF facilities on the lines that the three installments falling due on 25 October 2008, 25 April 2009 and 25 October 2009 to be rescheduled into PSEDF - 4th facility; and the tenure of the loan will be extended upto October 2015 (Presently April 2014). The Company expects that restructuring into PSEDF - 4th faciltiy will be agreed to by NBP.

6.5 ANZ Bank, Paris, France - 1st Facility

During the year, this loan facility has been repaid by the Company.

6.6 ANZ Bank, Paris, France - 2nd Facility

This represents the facility created by payment of five installments to ANZ Bank, France by COFACE. The liability of the Company stands towards the Government of Pakistan through its Economic Affairs Division (EAD). The Company has held discussions and exchanged correspondence with EAD to finalize the terms and conditions relating to the repayment of this facility. Until the repayment terms are finalized, interest is being accrued on this debt at 6 months' LIBOR + 0.6% per annum as approved by PPIB, Government of Pakistan at the time of financial restructuring of the Company.

7 DEFERRED LIABILITIES

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Deferred income on sale and lease back transaction		134	201
Staff retirement benefit - gratuity	7.1	24,616	18,573
		24,750	18,774

7.1 Staff retirement benefit - gratuity

7.1.1 Reconciliation of payable to / (receivable from) defined benefit plan:

	2008	2007
Present value of defined benefit obligation	28,515	22,636
Unrecognized actuarial losses	(3,899)	(4,063)
	24,616	18,573

Movement in net liability recognized	2008 (Rupees '000)	2007 (Rupees '000)
Opening net liability	18,573	18,496
Expense for the year	7,983	5,593
Benefit paid	(1,940)	(5,516)
Closing net liability	24,616	18,573

7.1.2 Charge for the defined benefit plan

Current service cost	5,555	4,059
Interest cost	2,264	1,534
Actuarial losses recognized	164	-
	7,983	5,593

7.1.3 Key actuarial assumptions

Valuation discount rate	10.00%	10.00%
Salary increase rate	10.00%	10.00%

7.1.4 Comparison of present values of defined benefit obligation for five years is as fallows:

	2008	2007	2006	2005	2004
	(Rupees '000)				
Present value of defined benefit obligation	28,515	22,636	19,180	17,197	15,812

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2008 (Rupees '000)			2007 (Rupees '000)		
	Minimum lease payments	Finance cost allocated to future periods	Principal outstanding	Minimum lease payments	Finance cost allocated to future periods	Principal outstanding
Not later than one year	131,504	58,779	72,725	130,837	68,244	62,593
Later than one year but not later than five years	511,557	120,081	391,476	514,456	171,401	343,055
Later than five years	-	-	-	126,921	10,172	116,748
	643,061	178,860	464,201	772,214	249,817	522,396

8.1 Rentals are payable in equal monthly installments (quarterly for the lease of sixth engine) in advance upto 26 April 2013. The Company has a right to exercise purchase option at the end of the lease term. Financing rate of 8.75% to 15.37% per annum (2007: 8.75% to 14.60% per annum) has been used as a discounting factor.

9. TRADE AND OTHER PAYABLES

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Creditors		27,319	100,964
Advance from customer	9.1	52,499	210,879
Accrued liabilities		9,263	10,700
Tax deducted at source		-	4,185
Liquidated damages payable	9.2	641,109	326,733
Due to associated undertakings, unsecured	27	408	94,519
Unclaimed dividend		3,575	3,610
Other payables		9,152	832
		743,325	752,422

9.1 This represents advance from WAPDA for purchase of fuel carrying markup ranging from 11.50% to 16% per annum (2007: 11% to 11.5% per annum).

9.2 These liquidated damages have been levied by WAPDA under the Power Purchase Agreement. As per the past practice, the Company expects to agree an installment plan with WAPDA to pay these liquidated damages. Also refer to note 12.1.2 to the financial statements for liquidated damages not acknowledged by the Company.

10. ACCRUED MARKUP

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Markup on long term financing - secured	10.1	340,888	318,930
Markup on short term borrowings - secured		39,918	33,964
Markup on liabilities against assets subject to finance lease		11,246	12,570
Markup on advance from customer - secured		544	1,734
		392,596	367,198

10.1 This includes overdue mark-up amounting to Rs. 286,292,358 (2007: Rs. 144,842,029) equivalent to USD 4,186,785 (2007: USD 2,393,292).

11. SHORT TERM BORROWINGS - Secured

From banking companies and other financial institutions	Sanctioned Limit 2008 (Rupees '000)	Sanctioned Limit 2007 (Rupees '000)	Outstanding Balance 2008 (Rupees '000)	Outstanding Balance 2007 (Rupees '000)
ABN AMRO Bank Limited (Formerly Prime Commercial Bank Limited)	125,000	125,000	124,947	119,905
Askari Commercial Bank Limited (Refer 11.2)	325,000	325,000	324,855	324,759
National Bank of Pakistan	250,000	250,000	249,854	232,893
United Bank Limited (Refer 11.2)	145,000	145,000	144,797	144,797
Saudi Pak Commercial Bank Limited (Refer 11.2)	145,000	145,000	144,993	144,601
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Ltd.	110,000	125,000	110,000	125,000
Faysal Bank Limited	150,000	150,000	150,000	150,000
	1,250,000	1,265,000	1,249,446	1,241,955

11.1 The above borrowings are secured by way of first charge of Rs. 1,595 million (2007: Rs. 1,630 million) on current assets and a first registered mortgage charge on the Company's assets ranking pari passu with other similar charge holders referred to in Notes 6.3 and 12.1.1. These carry interest rates ranging between 11.97% to 15.56% per annum (2007: 11.61% to 14.42% per annum).

11.2 As at 30 June 2008, financing facilities from Askari Commercial Bank Limited, United Bank Limited and Saudi Pak Commercial Bank Limited were expired and management is in process of renewing these facilities.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The Company is contingently liable for a letter of guarantee of USD 2.46 million (2007: USD 2.46 million) issued to Water and Power Development Authority (WAPDA) by ABN AMRO Bank Pakistan Limited (formerly Prime Commercial Bank Limited) on behalf of the Company. The guarantee is secured by a first registered mortgage charge over the Company's assets ranking pari - passu with the lenders referred to in Notes 6.3 and 11.1.

12.1.2 As explained in note 1.2 to these financial statements, WAPDA has claimed LDs amounting to Rs.705.256 million from the Company which was due to irregular payment and discontinuance of fuel advance after 15 February 2008. The Company has disputed these LDs on valid grounds and has also obtained a legal opinion confirming the validity of its dispute. The management is confident that the matter will be resolved in the Company's favour. However, the Company has provided for the LDs prior to 15 February 2008 (date of plant shutdown) only as a matter of prudence. LDs claimed by WAPDA after 15 February 2008 not provided for in the financial statements amounts to Rs.380.6 million for which the Company remains contingently liable.

12.1.3 For tax matters, refer to note 12.4.

12.2 Significant contracts as at balance sheet date

12.2.1 The Company has entered into an Implementation Agreement (IA) dated 23 November 1994 with the Government of Pakistan (GOP), pursuant to which the GOP guaranteed implementation, execution and operation of the Company's project for the term of 22 years extended to 30 years through amendment dated 11 March 2002.

12.2.2 Under the Power Purchase Agreement (PPA) signed on 17 November 1994, the total electricity produced will be sold to WAPDA. The Company has obtained a guarantee from the GOP, guaranteeing payment obligations of WAPDA for the term of 22 years extended to 30 years through amendment dated 14 February 2002.

12.2.3 The Company has entered into a Fuel Supply Agreement dated October 24, 1995 with Pakistan State Oil Company Limited (PSO) to supply furnace oil to the Company for the term of 22 years extended to 30 years through amendment dated 12 December 2001. Obligation of PSO has also been guaranteed by GOP.

12.3 Commitments

12.3.1 The value of the Letters of Credit outstanding at the year end amounted to Rs. nil (2007: Rs. 13.412 million representing Euro 163,656).

12.4 Taxation Contingencies

Income Tax

12.4.1 Tax assessments of the Company up to and including the assessment year 2002-03 (year ended 30 June 2002) stand finalized under section 62 of the repealed Income Tax Ordinance 1979 [the repealed Ordinance]. Assessments for Tax Years 2003 to 2007 (years ended 30 June 2003 to 2007) were finalized under section 120 of the Income Tax Ordinance 2001 [the Ordinance]. However, assessments for Tax Years 2003 and 2004 were amended by taxation authorities under section 122 of the Ordinance as discussed in 12.4.4 below.

12.4.2 The principal issue in the assessments finalized by the taxation authorities were taxation of interest income, liquidated damages received from WAPDA, other income and issue of set off of assessed business loss. While finalizing original assessments for the assessment years 1996-97 to 2002-03, the taxation officer raised tax demands aggregating to Rs. 127 million on account of taxation of interest income, exchange gain and liquidated damages received from WAPDA. Income Tax Appellate Tribunal (ITAT) deleted the tax demand on account of exchange gain and on other issues assessments were set aside for assessment years 1996-97 to 1998-99.

12.4.3 On re-assessment for assessment years 1996-97 to 1998-99, the taxation officer repeated the treatment given in the original assessments by charging tax on interest income and liquidated damages and raised a tax demand of Rs. 35 million for aforesaid years; on similar basis a tax demand of Rs. 19 million was raised for assessment years 1999-00 to 2001-02. On appeal, the Commissioner (Appeals) has confirmed taxation of interest income and liquidated damages and directed the assessing officer to compute business income / (loss) and in case the computation results in business loss then allow the set off of loss against assessed income as per law. Appeals filed by the Company for these assessment years are pending before ITAT on question of taxation of interest, other income and set off of business losses.

12.4.4 For the assessment year 2002-03 the taxation officer has raised a tax demand of Rs. 6 million by following similar pattern of taxation as adopted in previous years. On appeal, the Commissioner (Appeals) has confirmed taxation of interest income & other income being income from other sources and allowed the Company's appeal on account of adjustment of business loss against other income. Departmental appeal on this score is pending with ITAT.

12.4.5 Tax assessments for Tax Years 2003 and 2004 were also amended by the Additional Commissioner of Income Tax [ACIT] on question of taxation of interest income thereby raising aggregate tax demand of Rs. 4.4 million for the aforesaid years. However, the demand was deleted in entirety by the Commissioner (Appeals) as set off of losses from business income were not considered by the ACIT while amending the orders. Tax department is in appeal with ITAT against this order which is pending to date.

12.4.6 In addition to the above, on reassessment proceedings the taxation officer raised a demand of Rs. 69 million inclusive of additional tax of Rs. 47 million for the assessment year 1996-97 by treating the Company as assessee in default for not deducting tax on payments made mainly to project contractors. The issue is pending in appeal with Commissioner (Appeals) on appeal filed by the Company.

12.4.7 No provision has been made in these accounts for the above referred demands since the management is confident for a favourable outcome of the appeals.

Sales Tax

12.4.8 This represents refund claim on account of excess of input tax over output tax for the years ending 30 June 2000 to 30 June 2008. The refund claims for the years upto June 2005, amounting to Rs. 130 million is pending with the Sales Tax Collectorate for verification. The matter has principally been decided in the Company's favor and the relevant officials at Collectorate of Sales Tax are currently carrying out detailed verification of documents underlying the refund claim. A precise estimate of the amount that will stand refundable to the Company can only be made once the verification exercise is completed by the Sales Tax Collectorate. Verification of refund claims for the years from 2006 to 2008 amounting to Rs. 27.3 million has not yet been commenced.

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Office building on freehold land	Plant building on freehold land	Plant machinery and equipment	Rail siding equipment	Leasehold improvements	Electric equipments	Computers and Office equipment	Laboratory equipment	Furniture and fittings	Vehicles owned	Vehicles Leased	Capital work in progress - Owned (civil works)	Capital work in progress - Leased (Plant & machinery)	Total
	Rupees '000														
Cost															
Balance as at 01 July 2006	32,504	17,074	1,425,142	6,418,942	38,332	7,255	15,640	8,749	6,406	8,910	17,282	20,543	55,269	583,580	8,655,628
Additions during the year	-	-	1,714	39,428	-	-	515	858	2,131	82	-	3,813	46,933	72,765	168,239
Disposals	-	-	-	-	-	-	(14)	-	-	-	(815)	-	-	-	(829)
Adjustments	-	-	-	-	-	-	-	-	-	-	10,560	(10,560)	(5,039)	-	(5,039)
Transfers	-	3,610	-	3,508	-	-	-	-	-	-	-	-	(7,118)	-	-
Balance as at 30 June 2007	32,504	20,684	1,426,856	6,461,878	38,332	7,255	16,141	9,607	8,537	8,992	27,027	13,796	90,045	656,345	8,817,999
Balance as at 01 July 2007	32,504	20,684	1,426,856	6,461,878	38,332	7,255	16,141	9,607	8,537	8,992	27,027	13,796	90,045	656,345	8,817,999
Additions during the year	-	-	76,659	330,538	-	-	-	80	568	11	632	9,000	84	19,160	436,732
Disposals	-	-	-	-	-	-	-	-	-	-	(1,744)	-	-	-	(1,744)
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(1,134)	-	(1,134)
Transfers	-	-	49,953	714,547	-	-	-	-	-	-	-	-	(88,995)	(675,505)	-
Balance as at 30 June 2008	32,504	20,684	1,553,468	7,506,963	38,332	7,255	16,141	9,687	9,105	9,003	25,915	22,796	-	-	9,251,853
Depreciation															
Balance as at 01 July 2006	-	7,214	293,046	1,305,226	8,896	7,244	14,484	7,598	5,692	7,183	15,202	9,965	-	-	1,681,750
Depreciation for the year	-	1,858	43,072	194,911	1,276	10	492	579	345	468	4,212	2,420	-	-	249,643
Disposals	-	-	-	-	-	-	(76)	-	-	-	(815)	-	-	-	(891)
Adjustments	-	-	-	-	-	-	-	-	-	-	6,455	(6,455)	-	-	-
Balance as at 30 June 2007	-	9,072	336,118	1,500,137	10,172	7,254	14,900	8,177	6,037	7,651	25,054	5,930	-	-	1,930,502
Balance as at 01 July 2007	-	9,072	336,118	1,500,137	10,172	7,254	14,900	8,177	6,037	7,651	25,054	5,930	-	-	1,930,502
Depreciation for the year	-	1,945	45,416	222,562	1,276	1	466	544	704	428	1,510	8,609	-	-	283,461
Disposals	-	-	-	-	-	-	-	-	-	-	(1,744)	-	-	-	(1,744)
Balance as at 30 June 2008	-	11,017	381,534	1,722,699	11,448	7,255	15,366	8,721	6,741	8,079	24,820	14,539	-	-	2,212,219
Carrying amounts - 2007	32,504	11,612	1,090,739	4,961,741	28,160	1	1,241	1,431	2,500	1,341	1,973	7,865	90,045	656,345	6,887,497
Carrying amounts - 2008	32,504	9,667	1,171,934	5,784,264	26,884	-	775	966	2,364	924	1,095	8,257	-	-	7,039,634
Rates of depreciation		10%	3.33%-4.74%	3.33%-4.74%	3.33%	10%	20%	20%	20%	10%	20%	20%			

13.1.1 Additions to plant building and machinery during the year include exchange differences on foreign loans aggregating to Rs. 399.302 million (2007: 9.389 million). Exchange loss included in the carrying amount of assets at the year end amounts to Rs. 1,079 million (2007: 713 million).

13.1.2 Borrowing cost capitalized during the year in capital work in progress amounted to Rs. 15.6 million (2007: Rs. 72.6 million).

13.1.4 Depreciation charge for the year has been allocated as follows:

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Cost of sales	21	269,254	239,148
Administration and general expenses	22	14,207	10,495
		283,461	249,643

13.2 Detail of fixed assets disposed off during the year

2008

Description	Cost	Book value	Sale Proceeds	Gain	Sold To	Mode of Sale
Vehicles:						
Honda Civic	884	-	375	375	Mr. Rizwan	Company policy
Suzuki Alto	430	-	100	100	Mr. Sohail	Company policy
Suzuki Alto	430	-	150	150	EFU Insurance	Insurance Claim
	1,744	-	625	625		

2007

Description	Cost	Book value	Sale Proceeds	Gain	Sold To	Mode of Sale
Office Equipment & Electrical Appliances:						
3 washing machines	14	-	1	1	Irfan Sadiq Amanat Ali Bakhtiar Ali	By Negotiation
Vehicles:						
Toyota Corolla Car	815	-	-	-	Mr. Khalid Rashid	Company policy
	829	-	1	1		

14 STORES, SPARE PARTS AND LOOSE TOOLS

	2008 (Rupees '000)	2007 (Rupees '000)
Stores	131,276	108,506
Spare parts and loose tools	38,604	40,830
	169,880	149,336

15 STOCK IN TRADE

	2008 (Rupees '000)	2007 (Rupees '000)
Heavy furnace oil	18,291	63,346
High speed diesel	2,284	2,332
Lubricants	14,172	9,686
	34,747	75,364

16 TRADE DEBTS - CONSIDERED GOOD

This represents receivable from WAPDA against capacity purchase price and interest thereon for the months of March to June 2008. Subsequent to the year end, WAPDA has paid Rs. 134,389,210 against this outstanding balance. This is secured by way of guarantee issued by the Government of Pakistan ("GOP") in favour of the Company.

17 ADVANCES - CONSIDERED GOOD

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Advances to employees against expenses		163	355
Advances to staff	17.1	10,573	12,170
Advance to supplier for the purchase of fuel		74,663	263,882
Advances to other suppliers		13,934	41,350
Less: amount written off		(3,011)	-
		10,923	41,350
		96,322	317,757

17.1 Included in advances to staff are amounts due from executives aggregating to Rs. 6.98 million (2 0 0 7 : Rs. 8.77 million).

18	TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND BALANCE WITH STATUTORY AUTHORITY	Note	2008 (Rupees '000)	2007 (Rupees '000)
	Margin against bank guarantees and security deposits		3,026	3,452
	Prepayments		8,261	17,178
	General sales tax refundable	18.1	157,337	148,765
	Insurance claim receivable		155	-
			168,779	169,395

18.1 This represents amount receivable on account of excess of input tax over output tax. Also refer note 12.4.8

19	CASH AND BANK BALANCES	Note	2008 (Rupees '000)	2007 (Rupees '000)
	Cash at banks:			
	- Current accounts:			
	Foreign currency	19.1	23,688	20,961
	Local currency		14,565	69,279
			38,253	90,240
	- Saving account:			
	Local currency	19.2	1,843	7,802
			40,096	98,042
	Cash in hand		1,063	1,265
			41,159	99,307

19.1 This includes compensation accounts aggregating USD 6,296 equivalent Rs. 429,259 (2007: USD 6,316 equivalent Rs. 380,979) and insurance proceeds account USD 340,789 equivalent Rs. 23.235 million (2007: USD 340,809 equivalent Rs. 20.558 million) with United National Bank London which is an escrow account. These funds are utilized subject to the lenders approval.

19.2 These carry mark-up at the rate of 4% p.a. (2007: 3.5% p.a.)

20	GROSS REVENUE	Note	2008 (Rupees '000)	2007 (Rupees '000)
	Capacity billing		1,216,446	1,232,845
	Energy billing		2,772,811	3,182,746
			3,989,257	4,415,591
21	COST OF SALES			
	Raw materials consumed	21.1	2,477,787	2,844,475
	Stores and spare parts consumed		120,918	190,455
	Fuel decanting charges		1,815	1,874
	Operations and maintenance		6,558	53,430
	Salaries, wages and other benefits	21.2	58,203	49,539
	Traveling and conveyance		426	401
	Vehicle running expenses		2,942	2,810
	Communication charges		1,835	1,831
	Electricity charges		6,099	4,076
	Printing and stationery		448	654
	Repairs and maintenance		15,394	15,036
	Entertainment		3,691	4,097
	Insurance		37,135	39,376
	WAPDA liquidated damages		344,590	297,177
	Depreciation	13.1.4	269,254	239,148
	Others		3,284	3,705
			3,350,379	3,748,084

21.1 Raw materials consumed

	(Rupees '000)			2008	2007
	HFO	HSD	Lubricants	Total	Total
Opening balance	63,346	2,332	9,686	75,364	55,313
Add: Purchases	2,353,541	26,667	56,962	2,437,170	2,864,526
Available for consumption	2,416,887	28,999	66,648	2,512,534	2,919,839
Less: Closing balance	18,291	2,284	14,172	34,747	75,364
Consumption during the year 2008	2,398,596	26,715	52,476	2,477,787	-
Consumption during the year 2007	2,699,187	39,360	105,928	-	2,844,475

21.2 These include Rs. 4.147 million (2007: Rs. 3.132 million) charged in respect of staff retirement benefits.

21.3 Provision for Workers Profit Participation Fund (WPPF) has not been made in these accounts, since it is a pass through item under PPA with WAPDA. In case the liability arises, it will be recoverable from WAPDA.

22 ADMINISTRATION AND GENERAL EXPENSES

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Salaries, wages and benefits	22.1	28,601	27,341
Traveling and conveyance		8,852	8,000
Vehicle running expenses		4,933	5,985
Communication costs		2,302	2,186
Utilities		1,097	931
Printing and stationery		712	679
Repairs and maintenance		588	270
Rent, rates and taxes		9,154	8,158
Legal consultancy fee and expenses		4,768	560
Entertainment		2,429	2,210
Insurance		1,914	2,199
Guest house expenses		11,986	10,895
Auditors' remuneration	22.2	1,749	2,569
Depreciation	13.1.4	14,207	10,495
Advances to suppliers written off	17	3,011	-
Others		6,560	4,692
		102,863	87,170

22.1 These include Rs. 2.510 million (2007: Rs. 3.346 million) charged in respect of staff retirement benefits.

22.2 Auditors' remuneration

	2008 (Rupees '000)	2007 (Rupees '000)
Annual audit	800	800
Half yearly review	300	300
Tax services	510	1,272
Other certifications	50	50
Out of pocket expenses	89	147
	1,749	2,569

23 OTHER OPERATING INCOME

	2008	2007
From financial assets		
Interest income	8,311	6,403
Exchange loss	(16,177)	(3,945)
From assets other than financial assets		
Gain on sale of property, plant and equipment	625	1
Reversal of Operations and Maintenance (O & M) fee	94,798	-
Income on sale and leaseback transaction	67	67
Gain on sale of scrap	1,861	2,701
Old liabilties written back	7,861	-
Others	3,446	-
	100,792	5,227

24 FINANCE COST

	2008 (Rupees '000)	2007 (Rupees '000)
Markup on long term financing - secured	266,784	220,598
Markup on short term borrowings - secured	159,874	161,045
Markup on advance from customer	63,580	51,468
Commitment charges, management and agency fee	5,566	3,880
Fee and expenses of trustee	766	2,094
Markup on finance lease	53,497	983
Guarantee commissions	20,431	22,008
Letter of credit charges	1,975	3,070
Bank charges	425	401
	572,898	465,547

25 NUMBER OF EMPLOYEES

Number of permanent employees at 30 June 2008 was 158 (2007: 204)

26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2008			2007		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Number of persons	1	0	11	1	1	9
	Rupees '000			Rupees '000		
Managerial remuneration and allowances	2,201	-	19,244	2,201	187	14,339
Staff retirement benefits	180	-	1,560	180	-	1,100
Others	139	-	1,230	139	13	917
	2,520	-	22,034	2,520	200	16,356

In addition, the Chief Executive, Director and all Executives were provided Company maintained cars for business purposes.

27 RELATED PARTY TRANSACTIONS

Related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees. Transactions with related parties, other than remuneration and benefits to directors and key management personnel as per the terms of their employment which are disclosed in note 26, are as follows:

	2008 (Rupees '000)	2007 (Rupees '000)
Associated undertakings - By virtue of common directorship		
Services purchased	4,932	44,090
Expenses incurred on behalf of an associated undertaking	839	582
Reversal of Operations and Maintenance (O & M) fee	94,798	-
Balance payable	408	94,519

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Financial assets and liabilities

2008 (Rupees '000)

		Mark-up bearing							Non-mark-up bearing			
	Effective markup rate %age	Maturity upto one year	Maturity after one year and upto two years	Maturity after two years and upto three years	Maturity after three years and upto four years	Maturity after four years and upto five years	Maturity after five years	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	2008 Total
Financial assets												
Trade debts - Considered good	12.5%	404,783	-	-	-	-	-	404,783	-	-	-	404,783
Advances - Considered good		-	-	-	-	-	-	-	10,573	-	10,573	10,573
Trade deposits and short term prepayments		-	-	-	-	-	-	-	3,181	-	3,181	3,181
Cash and Bank Balances	4%	1,843	-	-	-	-	-	1,843	39,316	-	39,316	41,159
		406,626	-	-	-	-	-	406,626	53,070	-	53,070	459,696
Financial liabilities												
Long term financing - secured	3.51%-9.59%	701,286	434,715	439,952	445,367	450,961	735,931	3,208,212	-	-	-	3,208,212
Liabilities against assets subject to finance lease	8.75%-15.37%	72,725	80,269	90,020	102,490	116,270	-	461,774	-	-	-	461,774
Short term borrowings	11.97%-15.56%	1,249,446	-	-	-	-	-	1,249,446	-	-	-	1,249,446
Accrued markup		-	-	-	-	-	-	-	392,596	-	392,596	392,596
Trade and other payables		-	-	-	-	-	-	-	49,717	-	49,717	49,717
		2,023,457	514,984	529,972	547,857	567,231	735,931	4,919,432	442,313	-	442,313	5,361,745
Excess of financial liabilities over financial assets		1,616,831	514,984	529,972	547,857	567,231	735,931	4,512,806	389,243	-	389,243	4,902,049

Financial assets and liabilities

2007 (Rupees '000)

		Mark-up bearing							Non-mark-up bearing			
	Effective markup rate %age	Maturity upto one year	Maturity after one year and upto two years	Maturity after two years and upto three years	Maturity after three years and upto four years	Maturity after four years and upto five years	Maturity after five years	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	2007 Total
Financial assets												
Trade debts - Considered good	11%	90,428	-	-	-	-	-	90,428	-	-	-	90,428
Advances - Considered good		-	-	-	-	-	-	-	12,170	-	12,170	12,170
Trade deposits and short term prepayments		-	-	-	-	-	-	-	3,452	-	3,452	3,452
Cash and Bank Balances	3.5%	7,802	-	-	-	-	-	7,802	91,505	-	91,505	99,307
		98,230	-	-	-	-	-	98,230	107,127	-	107,127	205,357
Financial liabilities												
Long term financing - secured	0.25%-10.77%	709,253	283,656	288,238	292,926	297,824	843,439	2,715,336	-	-	-	2,715,336
Liabilities against assets subject to finance lease	8.75%-14.6%	62,593	70,279	80,080	90,006	102,690	116,749	522,397	-	-	-	522,397
Short term borrowings	11.61%-14.42%	1,241,955	-	-	-	-	-	1,241,955	-	-	-	1,241,955
Accrued markup		-	-	-	-	-	-	-	367,198	-	367,198	367,198
Trade and other payables		-	-	-	-	-	-	-	214,811	-	214,811	214,811
		2,013,801	353,935	368,318	382,932	400,514	960,188	4,479,688	582,009	-	582,009	5,061,697
Excess of financial liabilities over financial assets		1,915,571	353,935	368,318	382,932	400,514	960,188	4,381,458	474,882	-	474,882	4,856,340

28.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and balances with banks. Credit risk on liquid funds is limited because counter parties are banks with reasonably high credit ratings. Trade receivable represents sale of electricity to WAPDA as per PPA. The Company's credit risk relating to trade debts is secured by way of guarantee issued by the Government of Pakistan in favor of the Company.

28.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly in foriegn currency loans and payables due to transactions with foreign buyers and suppliers. Financial assets and liabilities includes Rs. 23.69 million (2007: Rs. 20.96 million) and Rs. 3,571 million (2007: Rs. 3,216.88 million) respectively which are exposed to currency risk.

28.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. As explained in Note 1.2 to these financial statements, the Company is facing liquidity problems, however, to mitigate this risk the Company is making efforts to restore fuel advance facility from WAPDA and rescheduling of its financial obligations (Also refer note 6.4)

28.5 Capital Management

The Company's objective when managing capital, is to safeguard the Company's ability to continue as a going concern so that it can continue to provide return for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. There were no changes to the Company's approach towards capital management. The Company is not exposed to externally imposed capital requirements.

28.6 Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities is estimated to approximate their fair values as at 30 June 2008.

28.6 Interest rate risk

The Company is exposed to interest / markup rate risk on some of the financial obligations for an amount of Rs. 4.45 billion. The rates of interest / markup and their maturities are given in the respective notes.

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of following balance sheet amounts.

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Cash in hand and balances with banks	19	41,159	99,307
Short term borrowings	11	(1,249,447)	(1,241,955)
		(1,208,288)	(1,142,648)

30 CAPACITY AND PRODUCTION

	2008	2007
Original installed capacity - MW	135.9	117
Annual Dependable Capacity - MW	119.458	103.796
Actual energy delivered - MWh	368,660	540,242

Actual output produced by the plant is determined on the load demand by WAPDA. During the year, the plant could not deliver the load as demanded by WAPDA as the plant remained shut down due to discontinuation of advance payments by WAPDA to Pakistan State Oil Limited (PSO) on behalf of the Company for purchase of furnace oil. As the Company itself is facing acute liquidity problems, the shortage of furnace oil forced closure of the plant on 15 February 2008 and the situation persisted as such upto the year end. However, the Company has maintained the plant in a state of constant readiness for dispatches, and is being run every 18th day for four hours which allows the Company to continue receiving Capacity payments from WAPDA under the terms of the PPA.

31 LOSS PER SHARE - BASIC AND DILUTED

	2008	2007
Loss for the year - Rupees '000	(297,762)	(295,124)
Weighted average number of shares outstanding during the year - Numbers	136,675,752	136,675,752
Loss per share - basic and diluted - Rupees	(2.18)	(2.16)

32 GENERAL

32.1 Figures have been rounded off to the nearest thousand of rupees.

32.2 These financial statements were approved and authorized for issue by the Board of Directors in their meeting held on September 30, 2008.

Islamabad　　　Chief Executive　　　Director
September 30, 2008

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2008

No. of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held	Percentage %
300	1	100	20,535	0.02
525	101	500	191,199	0.14
784	501	1,000	621,794	0.45
1,307	1,001	5,000	3,707,955	2.71
484	5,001	10,000	3,713,711	2.72
237	10,001	15,000	2,944,631	2.15
118	15,001	20,000	2,168,336	1.59
101	20,001	25,000	2,326,756	1.70
49	25,001	30,000	1,346,729	0.99
47	30,001	35,000	1,536,132	1.12
31	35,001	40,000	1,191,930	0.87
25	40,001	45,000	1,091,866	0.80
28	45,001	50,000	1,373,722	1.01
14	50,001	55,000	749,050	0.55
10	55,001	60,000	583,732	0.43
11	60,001	65,000	695,398	0.51
14	65,001	70,000	948,880	0.69
8	70,001	75,000	588,298	0.43
8	75,001	80,000	622,050	0.46
5	80,001	85,000	415,548	0.30
7	85,001	90,000	621,098	0.45
4	90,001	95,000	372,500	0.27
21	95,001	100,000	2,081,530	1.52
3	100,001	105,000	306,300	0.22
11	105,001	110,000	1,203,890	0.88
1	110,001	115,000	110,500	0.08
11	115,001	120,000	1,295,070	0.95
2	120,001	125,000	245,366	0.18
1	125,001	130,000	130,000	0.10
2	130,001	135,000	263,800	0.19
1	135,001	140,000	136,547	0.10
1	140,001	145,000	144,182	0.11
8	145,001	150,000	1,190,183	0.87
6	150,001	155,000	917,715	0.67
2	155,001	160,000	318,000	0.23
3	165,001	170,000	501,682	0.37
2	170,001	175,000	348,200	0.25
3	175,001	180,000	531,865	0.39
4	180,001	185,000	730,932	0.53
1	185,001	190,000	187,500	0.14
2	190,001	195,000	387,500	0.28
5	195,001	200,000	999,500	0.73
5	200,001	205,000	1,004,964	0.74
1	210,001	215,000	211,300	0.15
1	215,001	220,000	220,000	0.16
3	220,001	225,000	674,000	0.49
1	225,001	230,000	228,000	0.17
2	230,001	235,000	467,500	0.34
1	235,001	240,000	236,500	0.17
2	245,001	250,000	500,000	0.37
1	265,001	270,000	267,732	0.20
1	270,001	275,000	274,500	0.20
1	280,001	285,000	284,000	0.21
1	290,001	295,000	294,200	0.22
1	295,001	300,000	300,000	0.22
1	305,001	310,000	305,500	0.22
1	325,001	330,000	326,693	0.24
1	335,001	340,000	336,232	0.25
1	365,001	370,000	367,200	0.27
2	395,001	400,000	800,000	0.59
1	415,001	420,000	420,000	0.31
1	445,001	450,000	449,500	0.33
1	480,001	485,000	480,098	0.35
1	500,001	505,000	504,231	0.37
1	535,001	540,000	539,000	0.39
1	545,001	550,000	550,000	0.40
1	550,001	555,000	550,182	0.40
1	595,001	600,000	600,000	0.44
1	670,001	675,000	675,000	0.49
1	765,001	770,000	768,000	0.56
1	780,001	785,000	784,000	0.57
2	790,001	795,000	1,589,000	1.16
1	795,001	800,000	800,000	0.59
1	800,001	805,000	801,900	0.59
1	835,001	840,000	837,500	0.61
1	890,001	895,000	891,101	0.65
1	1,045,001	1,050,000	1,050,000	0.77
1	1,145,001	1,150,000	1,147,150	0.84
1	1,900,001	1,905,000	1,905,000	1.39
1	2,305,001	2,310,000	2,310,000	1.69
1	2,390,001	2,395,000	2,391,010	1.75
1	3,940,001	3,945,000	3,945,000	2.89
1	4,835,001	4,840,000	4,837,052	3.54
1	5,055,001	5,060,000	5,058,749	3.70
1	6,265,001	6,270,000	6,270,000	4.59
1	9,380,001	9,385,000	9,383,500	6.87
1	40,175,001	40,180,000	40,178,346	29.40
4,262			136,675,752	100.00

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2008

Particulars	No. of Shareholders	Share Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor children			
Mrs. Sughra Ali Mahmood	1	**1,010,024**	0.74
Associated Companies, undertakings and related parties			
BCHIL Southern Company Limited (Sponsor)		40,178,346	
Southern Electric Limited (Sponsor)		7,228,062	
	2	**47,406,408**	34.69
National Investment Trust and Investment Corporation of Pakistan		-	
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Bank Alfalah Limited		9,383,500	
Habib Bank AG Zurich, Deira Dubai		794,000	
Escorts Investment Bank Limited		147,500	
M/S Crescent Investment Bank Limited		48,272	
First Dawood Investment Bank		45,500	
Industrial Development Bank of Pakistan		11,171	
Saudi Pak Industrial and Agricultural Investment Co. (Pvt.) Limited		4,000	
Deutsche Bank AG		275	
	8	**10,434,218**	7.63
Insurance Companies			
The Crescent Star Insurance Co.Limited		795,000	
State Life Insurance Corp. of Pakistan		504,231	
Askari General Insurance Co. Limited		25,000	
Century Insurance Company Limited		22,000	
New Jubilee Life Insurance Co. Limited		22,000	
Pakistan Reinsurance Company Limited		13,963	
M/S Habib Insurance Company Limited		550	
	7	**1,382,744**	1.01
Modarabas and Mutual Funds			
First Alnoor Modaraba		74,866	
Prudential Stocks Fund Limited		5,000	
First Fidelity Leasing Modaraba		4,100	
Prudential Fund Management		182	
	4	**84,148**	0.06
Leasing Companies			
Al-Zamin Leasing Corporation Limited		1,147,150	
	1	**1,147,150**	0.84
Shareholder(s) holding ten percent or more voting interest			
BCHIL Southern Company Limited (See above as Sponsor)		-	
General Public			
a- Local	4,146	55,928,654	
b- Foreign	2	2,610,000	
		58,538,654	42.83

Particulars	No. of Shareholders	Share Held	Percentage %
Others (to be specified)		-	
Joint Stock Companies			
Dawood Hercules Chemicals Limited		6,270,000	
M.R.A. Securities (Pvt.) Limited		1,050,000	
Dawood Lawrencepur Limited		801,900	
Javed Omer Vohra & Company Limited		800,000	
Pasha Securities (Pvt.) Limited		539,000	
Al-Hoqani Securities & Investment Corporation (Pvt.) Limited		250,000	
Capital Vision Securities (Pvt.) Limited		154,750	
Dada Enterprises (Pvt.) Limited		150,000	
M/S First Capital Securities Corporation Limited		106,390	
Darson Securities (Pvt.) Limited		94,000	
Dr. Arslan Razaque Securities (Pvt.) Limited		132,350	
Black Stone Equities (Pvt.) Limited		79,000	
CMA Securities (Pvt.) Limited		75,000	
Sat Securities (Pvt.) Limited		65,500	
Dosslani's Securities (Pvt.) Limited		48,250	
Moosani Securities (Pvt.) Limited		45,000	
Cliktrade Limited		39,600	
Ismail Abdul Shakoor Securities (Pvt.) Limited		38,500	
Mars Securities (Pvt.) Limited		37,000	
Multiline Securities (Pvt.) Limited		32,000	
Baba Equities (Pvt.) Limited		52,300	
M.R. Securities (Pvt.) Limited		25,170	
Prudential Securities Limited		25,000	
AWJ Securities (Pvt.) Limited		24,950	
Fair Deal Securities (Pvt.) Limited		24,500	
Value Stock Securities (Pvt.) Limited		21,000	
Maha Securities (Pvt.) Limited		20,000	
Millwala Sons (Pvt.) Limited		20,000	
Y.S. Securities & Services (Pvt.) Limited		19,500	
Time Securities (Pvt.) Limited		18,400	
Darson Securities (Pvt.) Limited		14,682	
Y.S. Securities & Services (Pvt.) Limited		12,082	
Rahat Securities Limited		11,000	
Afic Securities (Pvt.) Limited		10,500	
ZHV Securities (Pvt.) Limited		10,500	
RS Holdings (Pvt.) Limited		10,000	
Imperial Investrments (Pvt.) Limited		10,000	
S.H. Bukhari Securities (Pvt.) Limited		9,900	
Prudential Stock Fund Ltd.		9,366	
Associated Consultancy Centre (Pvt.) Limited		9,350	
Progresive Securities (Pvt.) Limited		8,000	
N. H . Securities (Pvt.) Limited		5,500	
Al-Haq Securities (Pvt.) Limited		5,500	
Trust Securities & Brokerage Ltd.		5,000	
Sardar Mohammad Ashraf D.Baluch (Pvt.) Limited		4,500	
Invest Forum (Pvt.) Limited		4,500	
Stock Master Securities (Pvt.) Limited		3,500	
Switch Securities (Pvt.) Limited		3,300	
Bandenawaz (Pvt.) Limited		3,000	
General Invest. & Securities (Pvt.) Limited		2,500	
MGM Securities (Pvt.) Limited		2,500	

Particulars	No. of Shareholders	Share Held	Percentage %
Moneyline Securities (Pvt.) Limited		1,000	
Pace Investment and Securities (Pvt.) Limited		1,000	
CMA Securities (Pvt.) Limited		1,000	
HK Securities (Pvt.) Limited		1,000	
Zahid Mahmood Equities (Pvt.) Limited		1,000	
MS Maniar Financials (Pvt.) Limited		734	
Zafar Securities (Pvt.) Limited		733	
Vohrah Engineering (Pvt.) Limited		732	
Kai Securities (Pvt.) Limited		650	
We Financial Services Limited		550	
AMZ Securities (Pvt.) Limited		550	
Al-Mal Securities & Services Limited		550	
HH Misbah Securities (Pvt.) Limited		550	
Excel Securities (Pvt.) Limited		500	
Live Securities (Pvt.) Limited		500	
United Capital Securities (Pvt.) Limited		500	
Oriental Securities (Pvt) Ltd.		350	
Rafeh (Pvt.) Limited		300	
Millennium Securities & Invest (Pvt.) Limited		300	
Muhammad Ahmed Nadeem Securities (Pvt.) Limited		300	
Adeel & Nadeem Securities (Pvt.) Limited		250	
Stock Vision (Pvt.) Limited		200	
Maan Securities (Pvt.) Limited		200	
Freedom Enterprises (Pvt.) Limited		182	
Prudential Securities Limited		100	
Islamabad Stock Exchange (G) Limited		100	
Tajico Southern (Pvt.) Limited		66	
Hum Securities Limited		50	
Fairtrade Capital Securities (Pvt.) Limited		50	
Souhern Electric Limited (As Above)		-	
	80	**11,228,237**	8.22
Foreign Companies			
SEP Holdings Corporation		5,058,749	
RO Limited		169,400	
Brown Brothers Harriman & Co		116,750	
ASEA Brown Boveri Kraftwerke A .G.		31,904	
Citibank N.A. Hong Kong		5,500	
Somers Nominees (Far East) Ltd.		5,050	
Bankers Trust Co.		3,850	
HSBC International Trustee Ltd.		2,200	
The Northern Trust Company		1,100	
BCHIL Southern Company Limited (As Above)		-	
	9	**5,394,503**	3.95
Cooperative Societies, Charitable Trusts			
The Okhai Memon Anjuman	1	**14,666**	0.01
Provident Fund Schemes			
Trustee Avari Hotel Lahore Staff Provident Fund	1	**35,000**	0.03
Total number of shareholders and paid up capital	**4,262**	**136,675,752**	**100.00**

3,802 shareholders hold **93,033,306** Shares in the name of Central Depository Company of Pakistan Limited

PROXY FORM

I/We ....

of (full address) ....

being a member(s) of **Southern Electric Power Company Limited** hold ....

Ordinary Shares hereby appoint Mr/Mrs/Miss ....

of (full address) ....
as my / our proxy to attend and vote for me/us and on my/our behalf at the 14th Annual General Meeting of the Company to be held on October 31, 2008 at 11:00 am and or any adjournment thereof.

Registered Folio No./CDC A/C No.

Signed by ....
in the presence of following witnesses

Signed this .... day of................ 2008

Signature on Five Rupee Revenue Stamp

(The signature should agree with the specimen registered with the Company)

WITNESS:

1.
Signature________________________
Name__________________________
Address ________________________
____
NIC or _________________________
Passport No______________________

2.
Signature________________________
Name__________________________
Address ________________________
____
NIC or _________________________
Passport No______________________

NOTE:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, No. 38, First Street, F-6/3, Islamabad not later than 48 hours before the time of holding the meeting.
2. It must be signed by the appointer or his/her attorney duly authorised in writing, or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.
3. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments of proxy shall be rendered invalid

For CDC Account Holders/Corporate Entities
In addition to the above the following requirements have to be met.

1) The proxy form shall be witnessed by two persons whose names, addresses and NIC/Passport numbers shall be stated on the form.
2) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
3) The proxy shall produce his/her original NIC or original passport at the time of meeting.
4) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.